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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 7, 2002

APPLICATION OF

SALTVILLE GAS STORAGE
COMPANY, L.L.C.

CASE NO. PUE-2001-00585

For a certificate of public
convenience and necessity under
the Utility Facilities Act

ORDER FOR CLARIFICATION

On August 6, 2002, the State Corporation Commission ("Commission") issued its Order Granting Certificate. In its Order, the Commission granted to Saltville Gas Storage Company, L.L.C. ("Saltville," "LLC," or the "Company"), subject to conditions stated therein, Certificate of Public Convenience and Necessity No. GS-3 to construct, own, operate, and maintain an underground natural gas storage facility in Smyth and Washington Counties, Virginia, together with an associated 24-inch pipeline facility.

On September 9, 2002, Saltville, filed a motion requesting clarification of the Commission's August 6, 2002, Order.

In support of its motion, Saltville stated that it viewed the conditions of the August 6, 2002, Order as requiring that the Company give the Commission's Staff 120 days notice prior to beginning any construction by providing to the Staff the

geotechnical information relating to the cavern development, and then waiting until the expiration of that same 120 day period to allow Staff time to review such information. Saltville indicated that it faced critical time constraints with respect to construction of its facilities and the August 6, 2002, Order's timing provisions would prevent the Company from meeting its critical construction deadlines, and could prevent Saltville from achieving its goal of completing construction by December 2007. Finally, Saltville requested that the Commission modify the time limits imposed by the August 6, 2002, Order as follows:

A) Saltville should provide geotechnical data to Staff on an ongoing basis, first for Cavern One and then for the remaining caverns as they are developed;

B) the notice period required by the Commission should be reduced from 120 days to 60 days;

C) the phrase "commencement of construction" as used in the Order should not include ancillary construction; and

D) after the successful completion of a Mechanical Integrity Test (MIT) on Cavern One, SGSC may begin injecting gas, while Staff reviews the geotechnical data.

On September 23, 2002, the Staff of the State Corporation Commission ("Staff") filed its Response to Saltville's Motion For Clarification. In its response, Staff stated its support of the Commission's August 6, 2002, Order and the conditions set forth therein relating to timing issues regarding the submission of Saltville's geotechnical data. The Staff contended that it was necessary that it be provided the appropriate time period to

review such geotechnical data submitted by Saltville and prepare a response, if any. Furthermore, the Staff maintained that they had no accurate gauge of the amount of time that would be needed to make a complete appraisal of the Company's geotechnical data, but, the Staff believed that the one-hundred and twenty (120) day period set forth by the August 6, 2002, Order would be adequate.

NOW THE COMMISSION, having considered the motion and the Staff's response, is of the opinion and finds that the Motion for Clarification should be granted, except with respect to the one-hundred and twenty (120) day period reserved for the Staff's review of the necessary geotechnical data in the August 6, 2002, Order. The Commission expects the Company to submit complete and accurate geotechnical data for an analysis by the Staff and for the Staff to complete its review within one-hundred and twenty (120) days from when all necessary information is submitted or sooner. Upon the submission of all the geotechnical data and the Staff's completion of its review of said data, the Staff should notify the Company that it has completed its review of the geotechnical data as soon as feasible. The Commission encourages the Company to continue to submit the necessary geotechnical data on an as available basis to the Staff. We expect the Staff to review the data as promptly as practicable. We understand that certain data may

lend themselves to review on a piecemeal basis and others may not. Finally, it appears that the Staff agrees with the other clarifying items requested by Saltville.

Accordingly, IT IS ORDERED THAT:

(1) Saltville shall provide geotechnical data to Staff on an ongoing basis, first for Cavern One and then for the remaining caverns as they are developed.

(2) The phrase "commencement of construction" as used in the August 6, 2002, Order does not include ancillary construction, with the exception of any construction pertaining to the cavern.

(3) Saltville may begin injecting gas, after the Staff concludes that the Company has successfully completed the Mechanical Integrity Test on Cavern One, while Staff reviews other data.

(4) The August 6, 2002, Order shall retain the one-hundred and twenty (120) day notice period to the Commission's Staff; Saltville may submit complete geotechnical data on an as available basis to Staff; and Staff shall review the data and, upon completion of its review, contact the Company as soon as practicable.

(5) This matter shall be continued pending further order of the Commission.